

History of California Energy Resources Scheduling

On January 17, 2001, Governor Gray Davis proclaimed a State of Emergency in response to California's energy shortage. Following the governor's Executive Order, and the signing of Senate Bill 7X two days later, a series of events occurred that would keep electricity flowing to Californians through the critical summer months and thereafter.

Initially, a group of eight power buyers and consultants from the Department of Water Resources (DWR), gathered in a hastily prepared emergency operations center in Sacramento to begin the daunting task of buying enough electricity to keep the state out of the "rolling blackout" mode.

The phones started ringing at about 5:30 a.m. with offers from power generators acting on the business principle of supply and demand. Shortly thereafter, other DWR team members showed up to work with the California Independent System Operator (Cal-ISO) staff to settle contracts and schedule purchased power through the state's transmission grid.

The team faced a non-stop, high-stakes bartering game with sellers who knew that California was desperate for electricity to fill the grid. During the first weeks, more than 30 people were added to fill positions in the Operations Branch, Planning and Intelligence, Logistics, Finance Administration and Public Information.

Legislation signed by the governor on February 1, gave DWR authority to purchase energy on behalf of the retail customers of the Investor Owned Utilities (IOUs). The unit already in place at DWR was officially dubbed the California Energy Resources Scheduling (CERS) division. This legislation established DWR as the State's energy purchasing source through December 31, 2002.

CERS' role has developed from the emergency mandate to include responsibility for gas management planning, procurement and administration of short-term and long-term power contracts, and continued power supply planning and resource scheduling.

Other than effectively accomplishing the emergency response mandate, CERS actions helped establish creditworthiness, stabilize market prices, and provide contract certainty to assure development of generation sources. This enables CERS to now deal with sellers on more favorable terms.

Just eight months after the governor's emergency proclamation, the State's energy portfolio was completed with 31 suppliers signing 59 contracts to provide generated power for California users. The contracts provide a stable and balanced supply of generated power in the State for the foreseeable future.

Initial long-term contracting activity succeeded in drastically reduced the amount of energy subject to spot market prices. Now, CERS is focused on meeting remaining needs through power contracting exercised by a number of market specialists in the unit's trading room. They use telephones and computers to purchase short-term contracts to take advantage of changing market conditions on quarterly, monthly, daily and hourly power needs.

This continuing and intense power purchasing effort helped cut energy costs in half, and, in spite of dire predictions of daily interruptions of power supplies, not one blackout was experienced during the hot summer months, the last being on May 8.

In September, Governor Gray Davis announced that a number of factors helped stabilize the energy marketplace, and blunt the gloom and doom predictions of power shortages. These included long-term contract prices, power availability in the short-term market, conservation, and the addition of more peaked power plants. Energy costs had been cut in half from the dark days of "rolling blackouts," and availability had returned to normal.

The CERS team used its expertise to handle the early hours of the state's power shortage emergency, but brought on [Navigant Consulting, Inc.](#), a nationally recognized management consulting firm, to assist in a variety of associated activities such as power marketing, energy procurement and transmission and distribution planning. [Deloitte & Touche](#), another national consulting firm, was also brought on board to provide a variety of consulting services.

Working together, this hastily assembled team of government and private industry specialists has turned the lights back on in California.